DOCUMENT RESUME

ED 175 131 EA 012 041

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TITLE Resource Allocation Strategies Employed in Large versus Small School Systems.
PUB DATE 11 Apr 79
NOTE 9p.; Paper presented at the Annual Meeting of the American Educational Research Association (San Francisco, California, April 8-12, 1979); Not available in paper copy due to light print of original document

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS City Problems; Compensatory Education Programs; Complexity Level; Disadvantaged Youth; Efficiency; Elementary Secondary Education; Instructional Programs; Public Support; *Resource Allocations; Retrenchment; *School Districts; School Support; Urban Education
IDENTIFIERS Categorical Programs; *School District Size

ABSTRACT

Education is faced with a declining resource base coupled with overwhelming demands for categorical programs. The current resource allocation strategy common to all systems is cutting spending. The difference between large and small districts is less important than differences in complexity. Complexity in resource allocations is more a function of the district's diverse needs than of its size. A relatively homogeneous student body necessitates simpler resource allocation than does a heterogeneous educationally disadvantaged student body. Inner-city school districts, irrespective of size, must address such needs as those attendant to compensatory education, special education, bilingual education, education for the gifted, poverty, poor nutrition, and health problems. Each need is represented by large numbers of students and requires a substantial general fund resource allocation in spite of categorical funding. Within the zero-sum-game resource environment that school districts are in, what one program gets, another loses. Working out a compromise budget to get a majority board vote is no small problem. In contrast, the small or less complex system allocates a relatively greater proportion of resources to the basic program of instruction, comes closer to efficiency, and has a community more understanding of budget constraints. (Author/JM)

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ED175131

Panel Presentation by Eugene J. Gutierrez
for A.E.R.A. Symposium
San Francisco
April 11, 1979

RESOURCE ALLOCATION STRATEGIES EMPLOYED IN LARGE VERSUS SMALL SCHOOL SYSTEMS

Today's School Finance Environment

- School finance is in a period of transition.
  - We appear to be leaving the fight for equity in financing.
  - Formulas that had any semblance of equity are now up for grabs.
- Major school funding decisions are being made across the country; the decisions coming down will not be based on the needs of the school children.
  - Decisions are being made based on property tax issues.
  - Decisions are being made based on the politics of rural and suburban versus urban and inner-city schools.
  - Decisions are being made by governors trying to underspend other governors.
  - Decisions are being made in favor of business interests.
- In Illinois, the corporate personal property tax, a major portion of the local tax revenue, has been eliminated as a result of legislative intent and by court decision.
  - Nine years' of legislative effort have failed to replace this tax because of failure to get consensus by business on a replacement tax.
  - It is not clear how or if monies which support 30 percent of the current school budgets in Illinois will be replaced.
- In New York, we read of that system's continuing struggle with the city for resources. On the bright side, the New York State Supreme Court recently

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took a position (Levittown vs Nyquist) which requires additional funding consideration for the higher cost of services in the city and in recognition of the large number of children with extra needs. It now remains to be seen how the legislature will address the problem.

- In California, I understand that there is a little uncertainty about next year's bail-out money and the method for its distribution. It is not clear what happened to funding or to local control in this state as a result of Proposition 13.
- Meanwhile, back at the school district, we have:
  - Declining enrollment
  - A tremendous push for greater categorization of funds
  - More mandated programs from the state and federal governments without sufficient funding to support them
  - Continuing double-digit inflation
  - A long list of overdue deferred maintenance and capital improvement needs
  - Declining staff ratios

Loss of Unity and Priority By the Educational Community

- Education is losing supporting resources in quantity to welfare, health, and other social services.
- The institutions of higher learning are fighting the lower institutions of learning for state and federal dollar priority.
- There is a strong demand for more services by a long list of special interest groups, among them:
  - Special education fueled by PL 94-142 and PL 93-112
  - Child nutritionists
  - Social services
  - Health services
  - Pre-school educators

- Bilingual educators
- Vocational educators
- Adult educators
- Remedial educators, and
- Back-to-basic advocates, to name but a few.

- The demand for services far exceeds the ability to supply them.
  - Within the Zero Sum Game context, which education finds itself in, what one group gains, another loses.
  - The biggest loser to underfunded mandated programs appears to be the basic instruction and support programs.
- Conclusion: This tremendous demand for increased categorization of funding appears to be symptomatic of a lack of confidence in the local school boards' and school administrators' ability or willingness to address all of the needs of the school children.

(Aside from this, the school business isn't all that bad!)

Common Resource Allocation Strategies

Before I get to my assigned topic, which was to differentiate between large and small school system resource allocation strategies, I would like to dwell on their common strategies. We are all more alike than different.

- The current resource allocation strategy that is common to us all is CUT, CUT again, and more CUTS.
  - We try to raise staffing ratios to reduce the labor intensity
  - We monitor staffing ratios on a monthly basis, school by school, to assure that staff attrition closely follows student attrition.

- We eliminate the already marginal auxiliary services
- We provide financial counseling to older, higher salaried staff, to encourage retirement
- We explore self-insurance for medical, dental, and other coverages
- We push for tax levies to cover some of our fixed costs such as utilities, workmen's compensation, and unemployment compensation
- We set up incentive systems to decrease teacher absenteeism and substitute teacher expense
- We set up incentive systems to decrease student absenteeism
- We push for tougher program evaluation
  - . Are the current programs still effective? Should they continue to be funded?
  - . Are proposed new programs redundant?
  - . Are proposed new programs reimbursable?

What is a Large or Small School System?

- Definition of "large" and "small" systems:
  - I presume "large" and "small" are used as a surrogate measure for administrative complexity.
  - Administrative complexity is not simply a function of enrollment.
  - In my view, complexity of resource allocation is more directly related to:
    - . The higher cost of services in the urban environment
    - . The absence of homogeneity in the school system
    - . The absence of a middle-class student base
    - . The absence of a racially-balanced studentbody or faculty
    - . A high proportion of educationally, economically, and socially disadvantaged students

- . A high proportion of non-English speaking students
- . A high proportion of students in need of special services

- In short, any school system that has some combination of these diverse factors present in quantity will have complex resource allocation problems. This complexity is a function of the administrator's attempt to cope with the multitude of priorities for the limited resources available.
- Unfortunately, larger school systems tend to have all of the diversity compounded by large numbers. Large numbers, in turn, mean large dollar appropriations which mean more political visibility and intensity, internally as well as externally.

The Resource Allocation Strategy Differences.

I hesitate talking about allocation differences between large and small school systems primarily because it is a lose, lose issue. No matter what I say, I will offend those of you who represent the large systems or those of you who represent the small systems, and with my luck, probably both. As I speak of the differences, bear in mind that I speak of differences in degree, rather than in an all-or-nothing context. In other words, all systems can identify with either argument to some degree. Having said that, let me address the issue.

Small System Strategies

- Strategically, the small system allocates a relatively greater proportion of resources to the basic program of instruction. There is more resistance to the proliferation of auxiliary services and non-instructional expenditures even when these are government fundable.

•• The small system generally tends to be very directive to the local principal; the principal, in turn, tends to be more submissive to any higher authority than his large system counterpart.

•• If there is such a thing as efficiency in education, the small system is more closely aligned towards it.

• The small system is also under the budget crunch caused by declining enrollment and inflation.

• However, the small system has a more homogeneous set of characteristics which encourage:

  - A system-wide instructional program with modifications for the relatively small number of children who are educationally disadvantaged or mentally gifted.
  - Except for variations caused by salary differences, the small system tends to have a uniform per pupil spending pattern.

• The small system has the benefit of community understanding of the budget constraints and is more supportive of Board actions to live within revenue. The major exception being the universal resistance to closing a school.

Large System Strategies

•• The large system allocates resources in such a manner as to address the multiplicity of programs as defined by the research, curriculum, and program directors. These reflect the expressed views and demands of various active pressure groups, including:

  - Community school councils and PTA groups
  - Board members with diverse priorities
  - Special interest groups in education
  - Newspapers

- Unions
- Business
- Politicians

•• In a large system, the Board will avoid the need to reduce or eliminate programs; even weak programs have strong supporters.

•• The large system cannot deal with efficiency; there are too many demands upon its resources which run counter to efficiency. The large system must be all things to all people.

• The large system has to be more sensitive to the diversity of its various constituencies and must make sure that its resource allocation reflects those differences programmatically.

• The large system has had to move away from equity as measured by equal per pupil spending within the system. The kids who earn most of the general fund money are not necessarily the kids who get the extra services.

• While it operates more mandated programs, the large system is becoming less compliant to every mandated, under-funded, categorical program and to narrow, bureaucratic rulings and interpretations which would take funds away from the local programs. It is taking more risk.

• The large system is resorting to internal think-tank centers funded by soft money to undertake management studies, set up long-range planning, and to challenge some of the institutional processes.

• The large system is developing long-range plans and instituting school profiles to be used as the basis for evaluating the progress of each school in solving its major problems. The big districts must of necessity utilize more formal systems.

• The large system exploits the few areas which are not constrained by negotiated formulas and which offer economies of scale:

- In setting up regional special education service centers

- In purchasing
- In utilizing self-insurance programs

- The large school system is forced to put more and more resources to protecting current funding levels and to get the additional funding required by mandated programs and by costs inherent under the rubric of "educational and municipal overburden."
- Unfortunately, in a few cases, some large systems have been forced to resort to deficit spending---this is a default strategy (no pun intended), and is not recommended.
- The large system administrator is resigned to the reality that the allocation of resources will please very few, no matter what the allocation.
- Success is a simple majority of the Board and the flexibility to make adjustments as program need dictates during the year.

A Need for More Differences in Allocation

In the current school finance environment, there is little stability, a short planning horizon, and a predictable attrition of resources. The school administrator rarely has the opportunity to be creative; he is constantly reactive and on the defensive. The problems which are endemic to large systems, as defined in my remarks, demand greater local flexibility in resource allocation on the federal, state, and district level. Currently, administrators have no control over revenues coming into the system and only marginal control over the end-use of resources.

To talk about allocation strategies in a constructive sense, within a declining resource base, and in the face of overwhelming demands for services, and a constricted decision space, is a hollow excercise.